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SUBJECT: IAEA/IRAN: DG REPORTS TEHRAN,S CONTINUED LACK OF  
COOPERATION

Classified By: Ambassador Gregory L. Schulte for reasons 1.4(b) and (d)

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Summary  
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¶1. (SBU) The IAEA Director General's (DG) February 19 report on Iran describes the dichotomy between Iran's lack of cooperation with the IAEA -- the stalled investigation on possible military dimensions (PMD) issues and the refusal to allow IAEA access to some declared nuclear facilities -- and the pace of Iran's centrifuge advances. This is the 24th DG's report written since 2003, and conveys a "matter of fact" tone rather than the frustration one would expect an agency to express after being completely snubbed by Iran on its investigation into nuclear weaponization-related activities since August 2008. The report provides updated figures for centrifuge activities at Natanz, including the considerable uptick in the amount of low enriched uranium (LEU) produced, it documents Iran's continued violation of UNSC and Board Resolutions by refusing to suspend enrichment- and heavy water-related activities, and it notes Iran's continued refusal to implement the Additional Protocol (AP). Particular emphasis is given to Iran's failure to provide early information on new nuclear facilities (required by Code 3.1 of the Subsidiary Arrangement) and access to the heavy-water reactor at Arak .

¶2. (C) Although the report's conclusions highlight Iran's lack of cooperation, there is plenty of fodder for NAM defenders of Iran to cherry-pick, including the usual references to the non-diversion of declared nuclear material. It is written in such a way as to set up the usual exchange of Board statements between the NAM and the West, preventing consensus and thereby aiding Iran's argument that it has broad international support for its position. Almost as an afterthought, the Director General injected further "balance" at the end of the report with an unhelpful reference to the need to provide copies of documentation to Iran, an indirect jab at the U.S. that he has made previously in oral remarks to the Board but never before in a written report. Iran and its allies will undoubtedly pounce on this, even though the report notes that Iran has had access to and opportunity to study this documentation.

¶3. (C) The Director General has also taken an unhelpful press line emphasizing the limited operation of new centrifuges at Natanz since his last report and attributing this, without evidence, to a political decision on the part of the Iranian leadership, thus implying that this move was a concession or sign to the international community. This emphasis deflects attention from the report's most troubling and arguably more cogent finding - the sizeable increase in the amount of LEU produced at Natanz which approaches the necessary amount Iran could enrich further for a nuclear weapon. We fully expect that the Director General will continue to attempt to downplay the urgency of the Iran file, including in his oral remarks to the March Board.

14. (C) Nevertheless, the report provides a template of Iran's noncooperation, which we should use to help change the dynamic in the Board room. A P5 1 statement at the beginning of the Iran agenda item expressing our unity of purpose could further deflate NAM efforts to downplay Iran's noncooperation. Another way of changing the dynamic is to follow the French Mission's suggestion of an orchestrated Q&A in the Boardroom on key issues of concern, including Code 3.1 and uranium enrichment figures, thus putting the Secretariat's responses on record. We do not anticipate that the Chair's Summary of the agenda item will be anything more than a recitation of the "he said," "she said" exchange in the Board.

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Iran's Continued Defiance of  
UNSC Obligations  
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15. (SBU) The DG's report states that Iran continues to build and expand its enrichment- and heavy water-related activities, despite numerous calls by the IAEA Board of Governors, the UNSC, and the P5 1 to suspend such activities. Since the November 19, 2008 DG's report, Iran has completed installation of ten additional centrifuge cascades, but only one additional cascade is actually operating with uranium hexafluoride (UF6) gas. The report notes that Iran, as of February 1, has produced approximately 1010 kilograms of low enriched uranium (LEU) in the form of UF6 gas. (Comment: The intelligence community notes that approximately 1,300 kilograms of low enriched UF6 - if further enriched to

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weapons-useable levels - would be sufficient for Iran's first nuclear weapon. This suggests that Iran is nearing the necessary fissile material for a latent nuclear weapons capability should it choose to take the step of weaponization. However, this material remains under IAEA safeguards-seals and cameras-and diversions would be detected raising alarm in the IAEA and the international community. End Comment.)

16. (C) Although the late November 2008 physical inventory verification (PIV) at the Natanz Fuel Enrichment Plant (FEP) determined that Iran had produced 209 kg of LEU more than it previously had reported to the IAEA, the DG's report marginally notes this error by stating "the physical inventory as declared by Iran was consistent with the results of the PIV, within the measurement uncertainties normally associated with enrichment plants of similar throughput." The LEU estimates in the previous DG reports were based on Iranian theoretical calculations of LEU product, which turned out to be incorrect. Discovery of this discrepancy during the PIV is a clear reminder that the IAEA can only verify the true status of low enriched UF6 production once a year. (Comment: Most of the press reporting, following the DG's line, seems to be stressing the "apparent slow down" in centrifuge operations rather than the noteworthy increase in low enriched UF6 product. End Comment.)

17. (SBU) The report also notes Iran's continued work on its "new generation" centrifuges-the IR-2 and IR-3-at the pilot FEP at Natanz. Iran's progress in this area remains difficult to determine based on the limited information available from the DG's report. Operations at the uranium conversion facility (UCF) at Esfahan-the facility that produces the UF6 feed that is later enriched at Natanz-remain ongoing. (Comment: Iran has less than 100 tons of yellowcake-the feed material that is converted into UF6 gas-remaining. It is assessed that Iran will exhaust its yellowcake stockpile this year if the UCF continues operate at normal capacity. However, Iran has operated the UCF over the last year at less than design capacity and at a slower pace than in the previous two years, possibly in an attempt to utilize its yellowcake stockpile as long as possible

without having to shutdown the UCF. End Comment.)

18. (SBU) The report, highlighting Tehran's failure to abide by Code 3.1 of its Subsidiary Arrangement, states that since August 2008 Iran has continued to refuse the IAEA access to the IR-40 Heavy Water Research Reactor at Arak to conduct a mandatory Design Information Verification (DIV) inspection. The DG explains in the February 2009 report that Iran's refusal to allow access to the IR-40 could "adversely impact the IAEA's ability to carry out effective safeguards" at the reactor, and that it is now impossible for the IAEA to use satellite imagery to monitor the reactor's construction since the domed containment structure has been completed. The report indicates that the process lines for the production of natural uranium pellets for the IR-40 reactor fuel have been completed and that fuel rods are being produced at the Fuel Manufacturing Plant at Esfahan. (Comment: This is the first indication that Iran now is producing its own nuclear power reactor fuel. End Comment.) Iran also has not provided the IAEA the preliminary design information, as requested by the IAEA in December 2007, on the planned nuclear power reactor in Darkhovin.

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Absolutely No Progress on Possible  
Military Dimensions  
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19. (SBU) The report underscores the number of outstanding issues that need to be clarified regarding possible military dimensions (PMD) to Iran's nuclear program. The IAEA simply notes in a matter-of-fact tone that it has "still not received a positive reply from Iran" regarding its request for access to relevant "information, documentation, locations or individuals." Consequently, "the Agency has not made any substantive progress on these issues." While the DG urges Iran to cooperate and provide clarifications on the PMD issues, he also calls at the end of the report and almost as an afterthought, on the "Member States which have provided such documentation to the IAEA to agree to the IAEA's providing copies thereof to Iran." The previous para notes, however, that Iran was shown and given the opportunity to study the documentation. Although the DG has made such a request from the "Member State" in his opening statements to the September and November 2008 Boards, this is the first time that it has appeared in the text of the DG's report. It is unfortunate that the report, although it acknowledged past access to these documents, did not also include, on balance, the fact that Iran continues to have access short of

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the permanent provision of copies, but has refused to even look at the material.

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How the Report Will Be Used in the Board  
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110. (SBU) Despite the matter-of-fact tone, the report is tough in terms of documenting Iran's continued failure to cooperate with the IAEA, to abide by numerous Board and UNSC requirements, to make substantive progress on PMD, and to implement Code 3.1. However, on the latter point, the report stops short of calling this a breach of Iran's safeguards agreement. All of this said, there is the usual fodder for the NAM and other "Iran-friendlies" throughout the report-the ability to verify the non-diversion of declared nuclear material and the DG's calls for Member States to provide copies of PMD documentation to Iran-to rally support for and defend Iran.

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Comment and Recommendation  
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111. (C) In order to build support for the IAEA

Secretariat's continued investigation into Iran, the U.S. should in its intervention share in the DG's "regret" on the lack of Iranian cooperation, especially highlighting the conclusions on Iran's defiance of UNSC and Board resolutions, the IAEA's inability to be in a position to provide credible assurances about the peaceful nature of Iran's nuclear program, and hone in on Iran's unilateral suspension of Code 3.1. Another objective should be to try to change the dynamic in the Boardroom. Unfortunately, the way the report is written with the DG's injection of "balance" sets us up for another "he-said, she-said" exchange with NAM defenders of Iran. A P5 1 statement would certainly help change the dynamic . Another way of doing so is the French suggestion of an orchestrated Q&A in the Boardroom with the Seceratariat so that the exchange becomes part of the official record, as opposed to the informal technical briefing. Such an exchange would also focus the Board discussion on the key technical issues raised by the report rather the political stances of Board members and grandstanding by Iran.

SCHULTE